

**Meeting of the Suffolk Tobacco Asset Securitization Corporation  
(STASC)  
November 6, 2008**

**Minutes**

**Attendees:** Jim Morgo, Chairman and President, STASC; Terrence Pearsall, Treasurer & Secretary, STASC; Bob Venero, Vice President & Assistant Secretary, STASC; Fred Pollert, Deputy County Executive for Finance & Management; Connie Corso, Budget Director; Hon. Joseph Sawicki, Comptroller; Christina Capobianco, Chief Deputy Comptroller; Dennis Brown, Bureau Chief, Municipal Law; Richard Tortora, Capital Market Advisors -Financial Advisor, STASC; Amy Engel, County Executive Assistant.

**Retention of General Counsel:** there was a brief discussion about retention of General Counsel:

- Up until now Dennis Brown, Bureau Chief, Municipal Law from the County Attorney's office has provided legal counsel to STASC and done so admirably. However, moving forward STASC members believe they should retain outside counsel.
- There should not be too much work involved with this each year;
- **Terry Pearsall made a motion to issue a Request for Qualifications (RFQ) to the law firms of Farrell, Fritz and Nixon Peabody in order to gather qualifications before choosing General Counsel. Bob Venero seconded the motion and all voted to approve.**

**Retention of Accountant:** there was discussion about who to retain for an accountant, the following points were made:

- Should we conduct a Request for Proposals (RFP) or an RFQ?
- STASC is not covered by the same procurement rules as the county and can turn around an RFP in a quicker time frame.
- The Accountant chosen for STASC should be the same for the Defeasance Trust and Wilmington Trust in order for consistency.
- The Comptroller submitted a list of reputable accountants to consider including: Blanchfield, Meyer, Kober & Rizzo, LLP; Kandell, Farnsworth & Pubins, CPAs; Sheehan & Co., CPA, PC; AVZ & Co., PC.
- **Bob Venero made the motion to do an RFQ to the above-mentioned accounting firms. Terry Pearsall seconded the motion and all voted to approve.**

**Retention of Auditor:** there was a discussion about who to retain for auditor and the following points were discussed:

- Comptroller Sawicki indicated that John D'Amico in his office prepares all of the financial statements for the county and all component units such as: Off Track Betting; John J. Foley Skilled Nursing Facility, and Suffolk County Community College. He believes that STASC would be similar in nature to a component unit

and that the use of the same auditor the county currently uses would further continuity.

- There have been two separate Requests for Proposals for county auditors over the last five years and the County selected Ernst & Young.
- Fred Pollert strongly supports the use of Ernst & Young.
- Fred also noted that Ernst & Young is well versed in the new GASB 48 requirements and is familiar with how best to reflect the STASC proceedings with respect to GASB 48.
- There was a discussion about whether there was a need to do an RFQ.
- **Bob Venero made a motion to not issue an RFQ and to “retain Ernst & Young as STASC auditors, under the same terms and conditions as the County’s current contract.” Terry Pearsall seconded the motion and all voted in favor of the motion.**

**Discussion:** The following points were noted during the discussion portion of the meeting.

**Permanent Ex-Officio Member:** Dennis Brown raised the point that for consistency over the long term life of the tobacco deal, perhaps an ex-officio member who is a permanent employee of the county should serve on STASC as a non-voting member.

- Dennis suggested that the ex-officio member be someone from Budget & Management because it is not an elected office.
- Regular activity is expected on the board until 2013 due to the structure of the tobacco settlement and then diminished activity is expected after 2013.
- Fred and Connie agreed that it would be a good idea
- **Jim Morgo made the motion to name the Budget Director, in the Office of Budget & Management, who is a competitive, civil service, permanent employee, an ex-officio member of the STASC board from this point forward. Bob Venero seconded the motion and all voted in favor.**

**Legislature’s Use of Tobacco Money place in Debt Stabilization Reserve Fund:** As part of the Tobacco Securitization Settlement, money was placed in the County’s Debt Stabilization Reserve Fund with the intent of using that money to provide budgetary relief in future years.

- The Legislature decided to use the money from the Debt Stabilization Reserve Fund for budgetary relief this year.
- Due to their use of the funds – it is anticipated that we will not meet budgetary goals and objectives in 2011 and 2012.
- Dennis Brown will check with Bond Counsel to make sure that the use of the proceeds that were put in the Debt Stabilization Reserve Fund does not jeopardize the tax exempt status of the bonds. If that were the case the Rating Agencies would need to be notified.
- STASC should have been notified by the Legislature.
- Terry Pearsall noted that this meeting had been postponed several times.
- Jim Morgo noted that even if it had taken place at earlier scheduled dates we still would not have known about the Legislature’s recent change of use of the tobacco

funds in the Reserve Fund. Jim made the point that the STASC Board learned of it at today's meeting.

- **Jim made a motion to draft a letter to the Legislature expressing the belief that it should have communicated with the STASC Board prior to touching the tobacco money that was put in the reserve fund. A letter will be drafted and Jim will have the latitude to send it out after sharing with the other STASC directors. Bob Venero seconded the motion and all voted in favor on the motion.**

**Switch from Treasuries to Agencies:** Rich Tortora, Financial Advisor to STASC, indicated that he believes there may be a unique opportunity in the market place that has made Treasuries highly desirable.

- If STASC and the County were to sell the Treasury Securities and then buy agency securities such as Fannie Mae and Freddie Mac it could generate approximately \$3 million he believed.
- It was agreed that this option will be further researched and if viable another meeting will be called shortly, if not viable, there will be no need to meet.